

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company	:	
d/b/a Nicor Gas Company and	:	
North Shore Gas Company	:	
	:	
Joint Petition for Consent to and Approval	:	08-0674
of a Firm Transportation Agreement	:	
Pursuant to Section 7-102, 9-102 and 9-201	:	
of the Illinois Public Utilities Act and	:	
Related Relief.	:	

DRAFT PROPOSED ORDER

By the Commission:

On December 18, 2008, Northern Illinois Gas Company d/b/a Nicor Gas Company (“Nicor Gas”) and North Shore Gas Company, (“North Shore”) (collectively, the “Petitioners”) filed a verified joint petition requesting consent to and approval of the execution and acceptance of a Firm Transportation Agreement between the Petitioners (“2009 FT Agreement”).

The Evidence Regarding the 2009 FT Agreement

The 2009 FT Agreement, dated December 11, 2008, provides that Nicor Gas will transport natural gas to North Shore on a firm basis. The term of the 2009 FT Agreement, which was made subject to Commission approval, would be November 1, 2009 to March 31, 2014. It also provides that Nicor Gas will transport gas from an interconnection point between its and ANR Pipeline Company’s (“ANR’s”) facilities near Hampshire, Illinois, to an interconnection point between its and North Shore’s facilities known as Busse Road. The maximum daily firm contract quantity that Nicor Gas would transport on any day is 70,000 MMBtu. This quantity represents 1.8% of Nicor Gas’ historical peak-day sendout.

North Shore would benefit from retaining an additional market-area supply source at economic rates which would increase system reliability. The firm transportation service provided by Nicor Gas is integral to North Shore’s purchase of certain existing storage services from ANR. Absent the service from Nicor Gas, North Shore would need to purchase a more costly service from Natural Gas Pipeline Company of America in order to receive the ANR service. As with charges paid under the previous 2006 FT Agreement for this service, North Shore will recover these costs through its gas supply charge (Rider 2 of its Schedule of Rates for Gas Service). Accordingly, the 2009 FT Agreement is in the public interest and the public would be inconvenienced thereby.

The 2009 FT Agreement provides that Nicor Gas receives a monthly reservation rate of \$64,266, and an annual commodity charge of \$127,897 on a 100% load factor basis. The revenues from the service would allow Nicor Gas to recover its costs associated with providing the service and make a contribution to fixed cost recovery. As with revenues received from the previous 2006 FT Agreement for this service, revenues to Nicor Gas will be recorded as above-the-line utility revenue.

Commission Analysis and Conclusion

The Commission Staff has reviewed the Joint Petition, attachments, and any other documentation involved in this proceeding and has found no reason to contest the request made by the Petitioners in this docket. On March 18, 2009, Brett Seagle, Gas Engineer, in the Engineering Department of the Public Utilities Division, read a statement into the record. Mr. Seagle stated that he reviewed the Joint Petition and data responses. He found no reason to contest the companies' request.

The Commission finds that the 2009 FT Agreement is in the public interest and the public would be inconvenienced by approval of the arrangement in the 2009 FT Agreement. The Agreement allows Nicor Gas to provide a service to North Shore that is needed to support certain storage services North Shore purchases from ANR Pipeline Company. Also, the evidence established that the Nicor Gas service is less costly than other alternatives available to North Shore. We also find that Nicor Gas' provision of the service would not have an adverse impact on its ability to provide reliable service to its customers. Moreover, Nicor Gas' customers benefit from this Agreement, because the revenues received by Nicor Gas cover its costs and contribute to fixed cost recovery. Nicor Gas accounts for the revenues it receives above-the-line, rather than flowing them through the PGA. North Shore treats the charges for the service as recoverable gas costs that are accounted for in its PGA, which is subject to the annual reconciliation of costs and revenues.

The Commission, having given due consideration to the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) Northern Illinois Gas Company d/b/a Nicor Gas Company is a corporation engaged in the distribution of natural gas in Illinois, and, as such, is a "public utility" within the meaning of the Illinois Public Utilities Act;
- (2) North Shore Gas Company is a corporation engaged in the distribution of natural gas in Illinois, and, as such, is a "public utility" within the meaning of the Illinois Public Utilities Act;
- (3) the Commission has jurisdiction over each Petitioner and of the subject-matter of this proceeding;

- (4) the Petitioners have satisfied the requirements of Sections 9-102 and 9-201 of the Public Utilities Act;
- (5) the statements of facts set forth in the prefatory portion of this Order are supported by the evidence of record and are hereby adopted as findings of fact;
- (6) the Agreement, attached to the Joint Petition, satisfies the requirements set forth in Section 7-102 of the Public Utilities Act, as it is reasonable, it will promote the public interest and convenience, and it should be approved;
- (7) the parties should be allowed to perform all acts that are not contrary to the Public Utilities Act and the Commission's rules and regulations, but which are necessary to performance of the Agreement.

IT IS THEREFORE ORDERED that the 2009 FT Agreement between Northern Illinois Gas Company d/b/a Nicor Gas Company and North Shore Gas Company be, and hereby is, approved.

IT IS FURTHER ORDERED that authority to perform all acts necessary to performance of the Agreement that are not contrary to the Public Utilities Act and the Commission's rules and regulations be, and hereby is, granted.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this ____ day of _____ 2009.

(SIGNED)
CHARLES E. BOX
Chairman